OFFICE OF THE UNDER SECRETARY OF DEFENSE
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WASHINGTON, DC 20301-1100

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COMPTROLLER

MEMORANDUM FOR ASSISTANT SECRETARY OF THE ARMY (FINANCIAL
MANAGEMENT AND COMPTROLLER)
ASSISTANT SECRETARY OF THE NAVY (FINANCIAL
MANAGEMENT AND COMPTROLLER)
ASSISTANT SECRETARY OF THE AIR FORCE (FINANCIAL
MANAGEMENT AND COMPTROLLER)
INSPECTOR GENERAL OF THE DEPARTMENT OF DEFENSE
DIRECTORS OF THE DEFENSE AGENCIES
COMMANDER, SPECIAL OPERATIONS COMMAND
COMMANDER, U.S. ARMY CORPS OF ENGINEERS

SUBJECT: Financial Improvement Initiative Assertion Package Criteria and Organization

The Under Secretary of Defense (Comptroller) memorandum, "Financial Improvement Business Rules," dated June 23, 2004, set forth business rules for the five phases of the financial improvement initiative. Attached are business rules for the Assertion Phase requiring that you present an assertion memorandum and accompanying documentation when you assert your audit readiness. The memorandum states that your package should be submitted to the Office of the Inspector General (OIG), Department of Defense with a copy to the Review and Prioritization Subcommittee (R&PS). The OIG has asked the R&PS to review each package and make a recommendation to the Executive Steering Committee (ESC). Subsequently, the ESC will make a recommendation to the OIG about whether to proceed with an assessment and audit of your financial statement line or statement.

To facilitate the review process, my staff has developed criteria which will be used to evaluate your submission. Included with the criteria are requirements about how to organize your assertion package. The final criteria are included in the attachment.

Your use of the business rules and related criteria to determine whether your package is ready to be submitted will accelerate the review and approval process of your assertion package.

My point of contact for this matter is Mr. Jim Ariail. He can be reached by telephone at (703) 602-6988, extension 108, or e-mail: James.Ariail@osd.mil.

Teresa McKay
Deputy Chief Financial Officer

Attachment:
As stated

Assertion Package Organization & Review Criteria

TAB	TOPIC	CHECKLIST STEP
1	Process Cycle Memos and Flow Charts	1
2	GL Transaction Detail/Support	2
3	Evidential Matter	3
4	Validation Summary (Management Assertion Letter, Completed Assertion Checklist, and Validation Work Products such as completed GAO Checklists, etc)	4
5	Status of FIP Corrective Actions	5
6	Summary of Corrective Actions Taken	6
7	Organization Charts/Contact Lists	7
8	FISCAM and SAS 70/88 Audit Date(s) and POCs	8
9	FISCAM and SAS 70/88 Audit Results	9
10	Hardware, Software, and Interfaces	10
11	Type of Data Produced	11
12	Telecom/Network Information	12
13	Certifications/Accreditations	13
14	System/End User Locations	14
15	Location of Systems Documentation	15
16	Data Type/Summary of Transactions (Number, Type, Dollar Value)	16
17	List of Authorized Users	17
18	List of On-Going or Planned Reviews	18

Assertion Package Organization & Review Criteria

√	Step	Description	Assertion Package Tab	Evaluation Criteria
	1	Identify and document the procedures, processes, and control points for deriving the balance(s) being asserted. Include the systems that are used and the flow of data from field level to departmental level. This can be done in a cycle memorandum or flow chart format. Having this information prepared in advance will be a great tool for you to refer to during the assessment and audit. Also, the auditors will need to document the information so you will already have the information prepared. Be sure to identify all systems that have detail that make up the balance(s) being asserted as ready for audit.	Place cycle/process memorandum, flow documents, questionnaires, directives, and procedures at **TAB 1** of the assertion package.	A flowchart(s) is required for each major process and a cycle/process memorandum (a description of a cycle memorandum is in the GAO Financial Audit Manual Section 390.04, "Cycle Memorandum and Flowchart") should be provided to: • accurately describe the regulations followed for the process, • document procedures utilized, • document key control techniques, • identify systems used at the departmental level, and • include the management control objectives and risk assessments. Review the flowchart(s), cycle/process memorandum, and supporting documents for reasonableness and completeness for each process listed.
	2	Have all General Ledger transaction detail and supporting information from feeder systems available for all other transactions that make up the balance(s) being asserted. Ensure the total of the detail equals the balance of the line item. This includes all accounting adjustments that have an effect on the ending balance of a line item reported on the financial statements.	Place supporting GL transaction detail information at **TAB 2** of the assertion package.	Review the provided detailed description/flow chart of the reconciliation process performed. The detailed description should describe how the line item balance is fully supported by the General Ledger, the General Ledger is fully supported by the Subsidiary Ledgers, and each transaction in the Subsidiary Ledgers is supported by the appropriate supporting evidential matter. The description should demonstrate that the data is readily available and should provide POCs for the data.

Assertion Package Organization & Review Criteria

√	Step	Description	Assertion Package Tab	Evaluation Criteria
	3	Consolidate evidential matter that supports the transactions in step 2 or map where the evidential matter is located for easy and expedient retrieval.	Where practical, include Evidential Matter at **TAB 3**, if space does not permit, include detailed information of where the evidential matter is located.	Review the description of the supporting evidential matter (i.e. contracts, invoices, receiving reports, etc.) for reasonableness and completeness. Verify that the location of the supporting evidential matter is identified.
	4	Prepare a summary of validation work performed by management, Service auditors, internal auditors, or independent public accounting firms to establish audit readiness, as applicable.	Place Validation Summary, the Management Assertion Letter, the completed assertion package Checklist, and validation work products in **TAB 4**.	Verify the presence of the Management Assertion Letter. Verify Validation Summary is present, describes validation methodology, and appears reasonably complete and accurate. Verify the separation of duties, if appropriate, between the persons generating the assertion packages and the persons validating the assertion packages. If separation of duties does not exist, review the adequacy of management's explanation of why it deemed separation of duties was not needed.
	5	Complete all the corrective actions in your Mid-Range Financial Improvement Plan (FIP) for the material deficiencies related to the balance(s) being asserted.	Place a statement in **TAB 5** that all corrective actions in the FIP related to material deficiencies associated with this line are completed.	Verify that the Management Assertion letter includes a statement that corrective actions identified in the FIP are completed. Also include the comprehensive corrective action plans for identified deficiencies not part of the FIP.
	6	Using the information from step 5 above, prepare an explanation of the actions taken to fix previously identified or existing problems and incorporate the explanation in the assertion letter or include as attachment to the letter. Be very specific.	Place a status of all FIP corrective actions related to the assertion in **TAB 6**.	Verify that the Validation Summary includes: • a summary of the corrective actions completed for all known material weaknesses and reportable conditions related to the assertion, OR • a reference to the FIP which documents the completion of all corrective actions related to the assertion.

Assertion Package Organization & Review Criteria

√	Step	Description	Assertion Package Tab	Evaluation Criteria
	7	Compile organization charts indicating key personnel and their responsibilities and phone lists.	Place organization charts at **TAB 7** of the assertion package.	Verify that the packages include organization charts for the financial and information technology process owners. The responsible key Government and contractor personnel and their location and contact information should be provided.
	8	For all the systems identified in step 1 above, has there been a Financial Information Security Audit Manual Controls (FISCAM) or Statement of Auditing Standard (SAS) 70/88 audit conducted on the systems? • If yes, provide the date and point of contact and proceed to step 9. • If no, proceed to step 10.	Place FISCAM / SAS Audit date and POC information at **TAB 8** of the assertion package.	Review to verify that the packages include dates and POC information for any FISCAM or SAS 70/88 audit reports on systems identified in step 1.
	9	For the Systems identified in step 1 that you answered Yes in step 8, obtain a copy of the FISCAM or SAS 70/88 audit report and skip the rest of the steps. For the systems identified in step 1 that you answered No in step 8, proceed to step 10. If a FISCAM or SAS 70/88 audit has not been conducted on the system, then the auditors will have to perform alternate procedures on the system. Therefore, the information in steps 10-18 will have to be gathered prior to the audit of each system	Place Audit Report(s) at **TAB 9** of the assertion package.	Review to verify that FISCAM or SAS 70/88 audit reports are present for all systems identified in step 1. If no audits were performed go to steps 10-18.

Assertion Package Organization & Review Criteria

√	Step	Description	Assertion Package Tab	Evaluation Criteria
	10	Prepare a description of the major hardware and software of the system and interfaces with other systems.	Place at **TAB 10** of the assertion package.	Verify that for each system identified in step 1, a description of the hardware and software is provided. This description should include interface descriptions. At a minimum, the location of the document containing this information should be provided.
	11	Describe what type of data the system produces for the financial statements, e.g., accounting transactions.	Place at **TAB 11** of the assertion package	Verify that for each system identified in step 1, a description of the type of data the system produces is provided. At a minimum, the location of the document containing this information should be provided.
	12	Prepare a description of telecommunications devices and networks used with the system.	Place at **TAB 12** of the assertion package	Verify that for each system identified in step 1, a description of the telecommunications devices and networks used with the system is provided. At a minimum, the location of the document containing this information should be provided.
	13	Obtain a copy of the most recent certifications and accreditations of the system.	Place at **TAB 13** of the assertion package	Verify that for each system identified in step 1, a copy of the most recent certifications and accreditations of the system is provided. For example, this should include the identification of when the last DoD Information Technology Security Certification and Accreditation Process (DITSCAP) certification and accreditation was performed and include a copy of the most recent Systems Security Authorization Agreement (SSAA). At a minimum, the location of the reports, reviews, certifications and accreditations should be provided.

Assertion Package Organization & Review Criteria

√	Step	Description	Assertion Package Tab	Evaluation Criteria
	14	Identify the system location(s) and end user locations.	Place at **TAB 14** of the assertion package	Verify that for each system identified in step 1, a description of the system location(s) and end user locations is provided. At a minimum, the location of the document containing this information should be provided.
	15	Identify the location(s) of system documentation.	Place at **TAB 15** of the assertion package	Verify that for each system identified in step 1, location of system documentation is provided.
	16	Identify the type, dollar value, and number of transactions processed in the system in a month and in a year.	Place at **TAB 16** of the assertion package	Verify that for each system identified in step 1, provide a description of the type, dollar value, and number of transactions processed in the system in a month and in a year is provided. In addition, the Component should identify which transactions are material to the assertion. At a minimum, the location of the document containing this information should be provided.
	17	List the type of system users – a type of user would be described as a certain category of employees or an organizations activity within an Agency.	Place at **TAB 17** of the assertion package	Verify that for each system identified in step 1, system user access information (locations and number of users per location) or a description of the types of users is provided. At a minimum, the location of the document containing this information should be provided.
	18	Inquire if there are any ongoing or planned system reviews – if there are, determine when the reviews will be complete.	Place at **TAB 18** of the assertion package	Verify that, for each system identified in step 1, a description of any ongoing or planned system review, as well as planned completion dates, is provided. In addition to the system reviews discussed in Steps 8 and 13, also include a copy of the most recent Federal Financial Management Improvement Act (FFMIA) compliance review, DISA readiness reviews, or any other reviews that are ongoing or planned.